

**Department of Telecommunications and Energy
Record Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-56**

Witness: Karen L. Zink
Date: November 7, 2002

Question:
RR-DTE-1 Please refer to the Company's response to DTE 1-3. What, in the Company's estimation, would it cost Berkshire to conduct the renewal process on a stand-alone basis?

Response: As stated in the Company's response to Information Request DTE 1-3, the total cost associated with conducting the renewal process for the EnCana contract on a coordinated basis was \$254,389 as of 9/30/02. Berkshire would expect this is a reasonable proxy for a solicitation on a stand-alone basis since this was a standard process. An RFP was issued, responses had to be reviewed, and a contract had to be negotiated. The need to customize each contract for several local distribution companies did not add significant costs. Even, for purposes of comparison, if the cost for Berkshire on a stand-alone basis was one-half of this amount, it would still be much greater than Berkshire's \$4,026 share of the total cost of the Working Group to replace this contract.

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Question:
RR-DTE-2

- a) Please explain what the Company means by “NEGM is uniquely qualified in the development of effective gas supply consortia...”
- b) Please provide the basis for the Company’s assertion that the rates and charges of NEGM are reasonable given that Berkshire did not test the market to see what other offerings it could get.

Response: a) Northeast Gas Markets (“NEGM”) is a gas supply management firm located in Beverly, Massachusetts. NEGM and its predecessor entity have been in business for 23 years serving the gas supply needs of a group of twenty Northeast LDCs in New England, New York and New Jersey, including Berkshire Gas.

NEGM was originally formed in 1979 under the auspices of the J. Makowski Company to support the interest of a consortium of LDCs in obtaining incremental gas supply and associated transportation capacity. NEGM acted as the facilitator and project coordinator for the initial gas supply initiative known as the Boundary Gas (“BGI”) project which commenced deliveries in 1984. Fifteen Northeast U.S. LDCs, including Berkshire Gas, participated in that long term gas supply arrangement from Alberta, Canada via the Niagara, NY import point, with downstream transportation on the Tennessee Gas Pipeline. The consortium was an innovative arrangement designed to aggregate the buying power of a group of LDCs, none of whom individually could have taken on the complexity and cost of developing a new incremental gas supply and associated transportation in the context of the gas markets of that time. Once the gas supply project was on line, NEGM provided day-to-day administrative and management support.

NEGM provides for all aspects of the interface with the gas supplier, including the initial contract development and negotiation, renegotiation and/or arbitration where applicable.

Day to day administrative operations include:

?? Nominations: Daily contact with the customers concerning their volumetric nominations for gas, liaison with the suppliers and pipelines regarding nominations and adjustments, preparation of monthly estimated pricing to assist in the nominations process, etc.

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- ?? Records/Notices: Maintain all contract records and assure prompt transmittal of any contractual notices among the parties, including prompt notification of the effective monthly Contract Price.
- ?? Consortia Management/Supplier Liaison: Coordinate meetings of consortia members, as well as meetings with suppliers, pipeline transporters and any other appropriate parties, as may be necessary to discuss and resolve operational, commercial or regulatory issues.
- ?? Reoffering of Gas: Per the consortia provisions of the GSAs, coordinate any reoffering of gas to other consortia members.
- ?? Invoicing: Verify volumetric and pricing data in the monthly invoice for each customer, from each supplier; analyze/reconcile nominated and received volumes; audit the invoice pricing formula to assure it accurately reflects the pricing provisions of the contracts; arrange for credits/debits where adjustments may be necessary; process incoming invoice from suppliers and outgoing invoice to customers, etc.
- ?? Treasury Functions: Collection, and transmittal on a timely basis, of all funds owing per the gas contracts and administrative services contracts, including maintenance of dedicated bank accounts and wire transfer facilities to assure accurate, complete and timely payment.
- ?? Compliance Reporting: Canadian and U.S. federal corporate and regulatory compliance reporting, including filing of NEB export reports, FERC Form 2 reports, DOE/EIA data reports, operational reports for DOE/Office of Fossil Energy, etc.
- ?? Customs: Compliance reporting re U.S. Customs processing of gas import data, including arranging for payment of any required levies pertaining to the importation of gas.
- ?? Legal and other services: Retain legal counsel and outside professional services as may be directed by the customers.
- ?? External Audits: Arrange for annual independent external audits of NEGM's gas supply administration of the Boundary entities undertaken on behalf of the LDC customers by PriceWaterhouseCoopers.

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Berkshire is not aware of any other organization that can provide all these services, and, in Berkshire's case, at such a reasonable cost (see responses to Record Request DTE-1 and the response below).

- b) Berkshire is aware of rates and charges for services in the natural gas industry generally. As described in the response to RR-DTE-1, Berkshire's share of costs are small based upon comparable charges on a stand-alone basis. The current fee structure is essentially the same as was in place under the Boundary contract and such fees were, in both cases, established pursuant to arms-length negotiations.